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## Ecuador

## Sugar

## Annual Report

## 2004

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**Report Highlights:**

Ecuador's raw sugar production in MY2005 will be up slightly close to the production of the previous MY. MY2005 sugar production is forecasted to reach record production of MY2003. The increases production is explained by favorable weather conditions and investments made in the sugar industry. Ecuador will continue exporting sugar to Colombia

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Quito [EC1]  
[EC]

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**Executive Summary**

Raw cane sugar production for Marketing Year 2004 (June 2003/May 2004) has reached 491,000 MT, down from the record 505,000 MT of raw sugar value of the previous MY 2003. Marketing Year 2005 production is forecasted to reach 496,000 MT. Favorable weather conditions may help to get a similar sugar production for MY 2005. Consumption of sugar in Ecuador is increasing mainly explained by the fact of increased demand of sugar for the candy, chocolates and soft drinks. Ecuador has become a sugar importer and a sugar exporter mainly from and to Colombia. If the trend continues, Ecuador will be importing 16,000 MT of raw sugar, and exporting 62,000 MT of raw sugar, including 11,583 MT to the U.S. under the sugar quota program.

## Production

Cane sugar production in Ecuador for the MY2004 (June 2003/May 2004) reached levels of 491,000 MT of raw sugar value, which represents a small decrease compared to the MY2003 previous harvest of 505,000 MT of raw sugar value. This decrease in production is explained by the decline of yields in mills, i.e., sucrose content per metric ton of sugar cane, of 192 pounds per metric ton of cane, 11 pounds less than previous year, rather than a decrease in harvested area, which augmented from 67,526 hectares to 68,000 hectares. For the upcoming MY2005, cane sugar production is expected to be high due to favorable weather conditions during the previous months of harvest and an increase in harvested area. It is calculated that the upcoming harvest season will start in late June and it will be close to a record harvest similar to MY2003 harvest. The increase production will be also result of increased harvested area to 69,000 hectares, improvements introduced in the production such as irrigation, diversification and rotations of varieties of cane, research of new varieties, improved plantations, control of diseases, and investments in modernization of sugar extraction facilities, that will contribute to reach higher yields in fields and better use of installed sugar mill capacity.

<b>PSD Table</b>							
<b>Country</b>	<b>Ecuador</b>						
<b>Commodity</b>	<b>Sugar Cane for Centrifugal</b>						
	2003	Revised	2004	Estimate	(1000 HA)(1000 MT)		
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	UOM
<b>Market Year Begin</b>		06/2002		06/2003		06/2004	MM/YYYY
Area Planted	75	75	76	76	0	76	(1000 HA)
Area Harvested	68	68	69	68	0	69	(1000 HA)
Production	5172	5173	5300	5300	0	5350	(1000 MT)
TOTAL SUPPLY	5172	5173	5300	5300	0	5350	(1000 MT)
Utilization for Sugar	5172	5173	5300	5300	0	5350	(1000 MT)
Utilizatn for Alcohol	0	0	0	0	0	0	(1000 MT)
TOTAL UTILIZATION	5172	5173	5300	5300	0	5350	(1000 MT)

## Consumption

Domestic cane sugar consumption, including sugar for industrial purposes, is currently placed at about 37-38 kilograms per capita, equivalent to about 452,000 metric tons of raw sugar value. For the upcoming MY2005 is expected a small increment in consumption to 455,000 MT of raw sugar value. There is a trend of using high quality refined sugar for the domestic soft drink and beverage industry. On the other hand, the consumption of sugar for candies and chocolates for exportations has kept pace with the domestic consumption of sugar. The sugar mills are aware of the niche market of candies and soft drinks by improving their sugar quality and producing specialty sugars. Demand for high quality sugar is being driven in part by the increased demand by hotels, restaurants, and other consumer outlets. Demand for sugar packaged in smaller bags (1, 2 or 5 kg. bags) is also increasing.

<b>PSD Table</b>							
<b>Country</b>	<b>Ecuador</b>						
<b>Commodity</b>	<b>Centrifugal Sugar</b>				(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
<b>Market Year Begin</b>		06/2002		06/2003		06/2004	MM/YYYY
Beginning Stocks	50	50	43	100	39	63	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	493	505	525	491	0	496	(1000 MT)
TOTAL Sugar Production	493	505	525	491	0	496	(1000 MT)
Raw Imports	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Val)	10	43	21	21	0	16	(1000 MT)
TOTAL Imports	10	43	21	21	0	16	(1000 MT)
TOTAL SUPPLY	553	598	589	612	39	575	(1000 MT)
Raw Exports	12	12	12	12	0	12	(1000 MT)
Refined Exp.(Raw Val)	38	36	75	85	0	50	(1000 MT)
TOTAL EXPORTS	50	48	87	97	0	62	(1000 MT)
Human Dom. Consumption	460	450	463	452	0	455	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	460	450	463	452	0	455	(1000 MT)
Ending Stocks	43	100	39	63	0	58	(1000 MT)
TOTAL DISTRIBUTION	553	598	589	612	0	575	(1000 MT)

## Trade

Ecuador has become both a sugar importer and a sugar exporter. For MY2004 (June 2003/May 2004), imports are expected to reach 21,000 MT of sugar raw value, which includes purchases of specialty sugar (INCUMSA 45) made by soft drink industries and purchases of white sugar made by candy, chocolate under sugar imports for exports program. Almost all of importations are originating from Colombia. Imports from Colombia pay no tariffs as a member of CAN agreement. For the upcoming MY2005 Ecuador is expected to import 16,000 MT of raw sugar value. This reduced importation is due to more availability of sugar provided by local sugar mill industry. Data of the import trade matrix, based on calendar year, for 2002 year show increased imports from Colombia for this year. This was caused by the unexpected importation of 42,000 MT made in May/June 2002 by sugar mills companies as they expected to initiate late the harvest season, which did not occur.

For the MY2004 Ecuador is expected to export 97,000 MT of raw sugar value including 12,000 MT of raw sugar value under the U.S. sugar quota. The sugar quota was not bartered with white sugar, which explains the fact that Ecuador had excess of stocks of sugar for the previous market years. For the forecasted MY2005, Ecuador will export to Peru 32,000 MT of raw sugar value, with zero tariff, under the umbrella "Convenio de Aceleración y Profundización del Comercio entre Ecuador y Perú", and also will export 15,000 MT of raw sugar value to Egypt and Sri Lanka. Ecuador continues exporting white sugar to Colombia, by supplying sugar to southern border to Colombia and where Ecuadorian sugar is better priced. For the upcoming MY2005, Ecuador is forecasted to export 62,000 MT of raw sugar value. Ecuador always manages to meet the USDA

sugar quota and will do so again in the coming year. If the trend in exports persists, Ecuador will be exporting to Colombia for the upcoming MY 2005. Data of export trade matrix, based on calendar year, for 2002 show zero exports to the United States. This is explained by the fact that Ecuador participated of the USDA program that Farm Service announced by means of a public tender that it accepted bids for CCC raw sugar in exchange for certificates for quota eligibility (CQE).

### Policy

The government of Ecuador has allowed duty-free imports from fellow Community of Andean Nations (CAN) countries arrive with a zero tariff rate. Sugar imported from countries outside the CAN nations are assessed a base tariff of 15 percent, and a variable "price band" levy, ranging 2% to 20 % for the Calendar year 2003. Although imports coming from Colombia are assessed with zero tariff rates, cane sugar import prices are higher than international prices, as a result of the higher prices that Colombia imposes for export targeted to Ecuador. Ecuador's sugar interest in the negotiations with MERCOSUR has not included sugar in the process of phasing out tariffs but after 15 years. After this time, Ecuador will allow imports of sugar with zero tariff rates, but sugar will be still under Andean price band system, in consequence imports of sugar will be due to pay variable levy. Sugar mills companies have proposed to the government of Ecuador to start producing ethanol from sugar cane as a component of gasoline. This project proposal has the intention of reducing pollution in polluted cities like Quito and Guayaquil. If the government allows the implementation this project, sugar mills are ready to produce 70,000 liters of ethanol per day. The project is aimed at producing enough ethanol to mix with gasoline in Ecuador. However, there is not decision to implement this project at least in the short term. Sugar farmers and millers do not participate of any export subsidies or support prices programs. However, farmers can get loans from Ecuadorian development bank with preference interest rate to buy planting seed and machinery.

<b>Export Trade Matrix</b>			
<b>Country</b>	Ecuador		
<b>Commodity</b>	Centrifugal Sugar		
Time Period	Jan-Dec	Units:	Metic Tons
Exports for:	2002		2003
U.S.	0	U.S.	22388
Others		Others	
Colombia	17067	Colombia	27174
Peru	4260	Egypt	12301
		Sri Lanka	1992
Total for Others	21327		41467
Others not Listed	1887		62

Grand Total	23214		63917
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<b>Import Trade Matrix</b>			
<b>Country</b>	Ecuador		
<b>Commodity</b>	Centrifugal Sugar		
Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2002		2003
U.S.	0	U.S.	0
Others		Others	
Colombia	57318	Colombia	15981
Total for Others	57318		15981
Others not Listed	1988		1054
Grand Total	59306		17035